

La SIA SpA

Sector: Design & Engineering services



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Switching on civil and energy related works

La SIA SpA is a leading Italian engineering and design firm, ranking among the Top 100 Italian ones. It provides a wide range of services utilizing cutting-edge digital methodologies and technologies.

FY23: Top Line +4.1% y/y, EBITDA Adj. €3.5mn

La SIA's FY23 results came slightly below our estimates, however underlining a mid-single digit growth rate, with a changing mix (up: Civil, Mobility Infrastructures, Energy; down: Telco) and an Operating Profitability burdened by higher SG&A costs. In details:

- ◆ VoP up by ca. +4.1% y/y at €16.3mn, with a higher weight of Civil, Energy and Mobility infrastructure related works;
- ◆ Adj. EBITDA at €3.5mn, substantially flat y/y with an Adj. EBITDA Margin of 21.3%, down by ca. -140bps y/y;
- ◆ OpFCF b.t. at ca. €1.8mn, i.e., ca 58% of Reported EBITDA, negatively burdened by higher capex but positively affected by WC management;
- ◆ Net Cash Position at ca. €4.9mn (vs. Net Debt at €1.2mn in FY22), also thanks to €5.3mn IPO proceeds, but impacted by €0.6mn of dividends.

Fine-tuning of 2024E-onward estimates

In the next years we expect La SIA to keep changing its end markets mix with more and more Civil / Mobility Infrastructures / Energy works and less Telecommunication ones. In terms of forecasts, we are fine tuning our 2024E-26E ones on the back of: i) Top Line revised marginally down; ii) Profitability revised down by ca. 10% per annum as stable contract margin should be partially eroded by higher SG&A costs; iii) Net Cash Position revised a bit worse as a consequence of the slower generation of profits related to the different mix of end markets. As a result, we now expect:

- ◆ VoP reaching ca. €20.8mn in 2026E (11.4% CAGR23A-26E);
- ◆ EBITDA and EBIT margin respectively at 20.3% and 18.4% by 2026E;
- ◆ Net Cash Position peaking at ca. €4.5mn by 2026E year-end, likely to be exploited for M&A deals.

Fair Value p.s. at €5.20 (from €5.6)

Based on current market price and updated estimates, La SIA is trading at ca. 6.1x-7.5x-6.2% EV/EBITDA, EV/EBIT and Div. Yield 2024E respectively, at ca. 40% discount to peers. We set La SIA fair value p.s. at €5.20, mainly due to the downward revision of estimates only partially offset by peers' recent rerating. At fair value, the stock would trade at 7.3x-6.5x EV/EBITDA 2024E-25E respectively and 5.4% Div. Yield 2024E.

Fair Value (€) 5.20
Market Price (€) 4.28
Market Cap. (€m) 24.3

KEY FINANCIALS (€m)	2023A	2024E	2025E
VALUE OF PRODUCTION	16.3	17.8	19.5
REPORTED EBITDA	3.1	3.4	3.9
EBIT	2.5	2.8	3.2
NET PROFIT	2.0	2.1	2.4
EQUITY	11.6	12.2	13.0
NET CASH POS.	4.9	3.5	4.3
EPS ADJ. (€)	0.43	0.37	0.42
DPS (€)	0.27	0.28	0.32

Source: La SIA (historical figures),
Value Track (2024E-25E estimates)

KEY RATIOS	2023A	2024E	2025E
EBITDA MARGIN (%)	18.8	19.0	19.9
EBIT MARGIN (%)	15.1	15.6	16.3
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/EBITDA (x)	6.3	6.1	5.1
EV/EBIT (x)	7.9	7.5	6.3
P/E ADJ. (x)	10.1	11.5	10.1
DIV. YIELD (%)	6.2	6.5	7.4

Source: La SIA (historical figures),
Value Track (2024E-25E estimates)

STOCK DATA

MARKET PRICE (€)	4.28
SHS. OUT. (m)	5.7
MARKET CAP. (€m)	24.3
ENTERPRISE VALUE (€m)	20.7
FREE FLOAT (%)	29.4
AVG. -20D VOL. (#)	35,500
RIC / BBG	LASIA.MI / LASIA IM
52 WK RANGE	3.60 – 9.40

Source: Stock Market Data

EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON LA SIA SHARES



ValueTrack

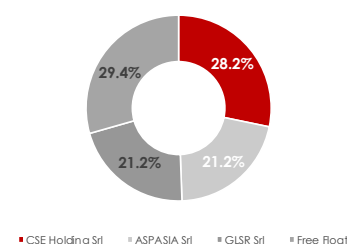
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Business Description

La SIA SpA is a leading Italian engineering and design firm, ranking among the Top 100 in the country. It offers a wide range of cutting-edge Design & Engineering services to large corporates in end markets such as Telecommunications, Civil & Design, Project & Works Management, and more. With a nationwide presence and a skilled, flexible workforce, La SIA embraces innovative digital methodologies and technologies, actively participates in R&D projects, and holds internationally recognized ISO certifications.

Shareholders Structure



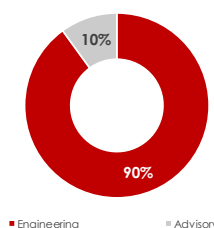
Source: La SIA

Key Financials

€mn	2023A	2024E	2025E	2026E
Value of Production	16.3	17.8	19.5	20.8
y/y (%)	4.1%	9.4%	9.4%	6.7%
Adjusted EBITDA	3.5	3.4	3.9	4.2
Adj. EBITDA Margin (%)	21.3%	19.0%	19.9%	20.3%
Reported EBITDA	3.1	3.4	3.9	4.2
EBITDA Margin (%)	18.8%	19.0%	19.9%	20.3%
EBIT	2.5	2.8	3.2	3.8
EBIT Margin (%)	15.1%	15.6%	16.3%	18.4%
Net Profit	2.0	2.1	2.4	2.9
y/y (%)	-7.2%	6.3%	13.9%	20.3%
Net Fin. Position	4.9	3.5	4.3	4.5
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-0.8	-0.2	-0.3	-0.5
OpFCF b.t.	1.8	1.0	3.2	3.0
OpFCF b.t. as % of EBITDA	59.3%	29.4%	83.4%	70.3%

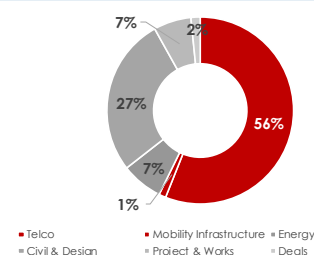
Source: Company (historical figures), Value Track (estimates)

FY23 Sales bkdown business line



Source: La SIA, FY23

FY23 Sales bkdown end market



Source: La SIA, FY23

Investment case

Strengths / Opportunities

- ◆ In-depth expertise in BIM methodology and high emphasis on R&D;
- ◆ Entitlement of full set of certifications and “certified categories”;
- ◆ Well-crafted managerial and operating structure with highly skilled and flexible labour force.

Weaknesses / Risks

- ◆ Revenue concentration on very few clients;
- ◆ Low exposure to some high-growth end markets and lack of in-depth IoT/AI skills;
- ◆ Employees’ retention and skills shortage.

FY23 Financials

FY23 results confirm La SIA's key features of, i.e. top class EBITDA Margin, in the 20% region, and light asset structure entailing high returns on equity and on capital employed (ca. 20% and >35% respectively in FY23). Overall, FY23 figures underline a mid-single digit growth rate, with a changing mix (up: Civil, Mobility Infrastructures, Energy; down: Telco). Operating Profitability was burdened by higher SG&A costs.

FY23 results confirm La SIA's key features:

- ◆ **Top class EBITDA Margin**, in the 20% region;
- ◆ **“Light” asset structure** entailing high returns on equity and on capital employed (ca. 20% and >35% respectively in FY23).

In terms of FY23 financials, key points to underline are:

- ◆ **VoP** up, ca. +4.1% y/y at **€16.3mn**, with a higher weight of Civil, Energy and Mobility infrastructure related works;
- ◆ **EBITDA Adjusted** at **€3.5mn**, substantially flat y/y with an Adj. EBITDA Margin of 21.3%;
- ◆ **Reported EBITDA** at **€3.1mn**, (EBITDA Margin in excess of 18.5%), by some €427k extraordinary items and by higher SG&A costs;
- ◆ **OpFCF b.t.** (defined as EBITDA – Tangible and Intangible Capex ± ΔNWC ± Δ Provisions) at **ca. €1.8mn**, i.e., ca 58% of Reported EBITDA, negatively burdened by higher capex but positively affected by WC management;
- ◆ **Net Cash Position** at **ca. €4.9mn** (vs. Net Debt at ~€1.2mn in FY22), also thanks to ca. €5.3mn of IPO proceeds;
- ◆ **Dividends:** amounting to ca. **€1.5mn** (pay-out of 75% of Net Profit, with dividend yield equal to ca. 6%) to be paid in May 2024.

La SIA FY22-23: Key Financial Items

(€mn)	2022	2023A	y/y (%)	2023E	Chg. (%)
Value of Production	15.6	16.3	4.1%	16.7	-2.6%
Adjusted EBITDA	3.5	3.5	-1.8%	3.6	-3.5%
Reported EBITDA	3.5	3.1	-13.8%	3.6	-15.2%
Net Profit	2.1	2.0	-7.2%	2.3	-13.7%
Net Fin. Position [Net debt (-) / Cash (+)]	-1.2	4.9	6.1	4.8	0.1

Source: La SIA, Value Track Analysis

Profit & Loss Analysis

La SIA reported €16.4mn VoP in FY23, out of which €14.8mn related to “core” Revenues from Sales (o/w 90% engineering and 10% advisory) and €310k related to Other Revenues (mainly R&D related grants), €1.2mn to Δ inventories (WIP).

In terms of Revenue from Sales mix by end market we flag the increased incidence of Civil & Design, Energy, Mobility Infrastructure, offset by a decreased incidence of Telco. In details:

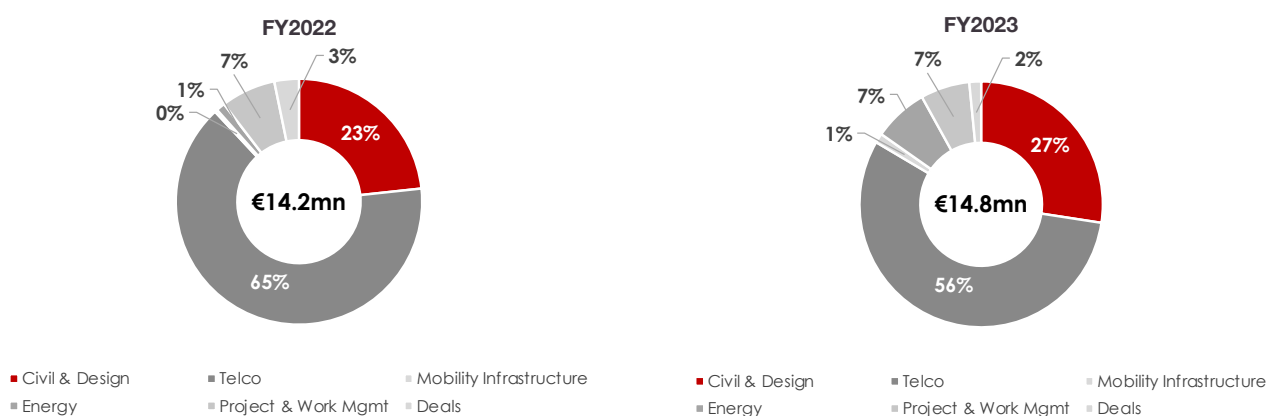
- ◆ Civil & Design stood at 27.4% (vs. 23.3% in FY22), with a Δ of approx. €749k;
- ◆ Energy stood at 7.2% (vs. 1.2% in FY22), with a Δ of ~€902k;
- ◆ Mobility Infrastructure stood at 1.2% (vs. 0.4% in FY22), with a Δ of ca. €134k.
- ◆ Telco, Project & Work Management and Deals lines decreased overall by ca. €1.2mn, from 64.8%, 7.2% and 3.2% on Revenue from Sales to 56.0%, 6.5% and 1.6%, respectively.

La SIA FY22-FY23: Value of Production Breakdown

(€mn, IAS)	FY22	FY23	y/y
A) Engineering	12.7	13.6	7.2%
Telco	9.2	8.3	-9.8%
Civil & Design	3.3	4.0	22.7%
Energy	0.2	1.1	nm
Mobility Infrastructure	0.1	0.2	268.0%
B) Advisory	1.5	1.2	-20.1%
Project & Works Management	1.0	1.0	-5.2%
Deals	0.5	0.2	-49.3%
Total Revenues from Sales	14.2	14.8	4.3%
Other Revenues	0.6	0.3	-48.6%
Δ Inventory (Finished Goods) and WIP	0.7	1.2	71.1%
Δ Internally Generated Fixed Assets	0.2	0.0	nm
Value of Production	15.6	16.3	4.1%

Source: La SIA, Value Track Analysis

La SIA FY22-FY23: Revenues from Sales by Service Lines



Source: La SIA, Value Track Analysis

As far as FY23 Operating Profitability is concerned, EBITDA Adjusted stands at €3.5mn, (Adj. EBITDA Margin of 21.3%) substantially flat y/y.

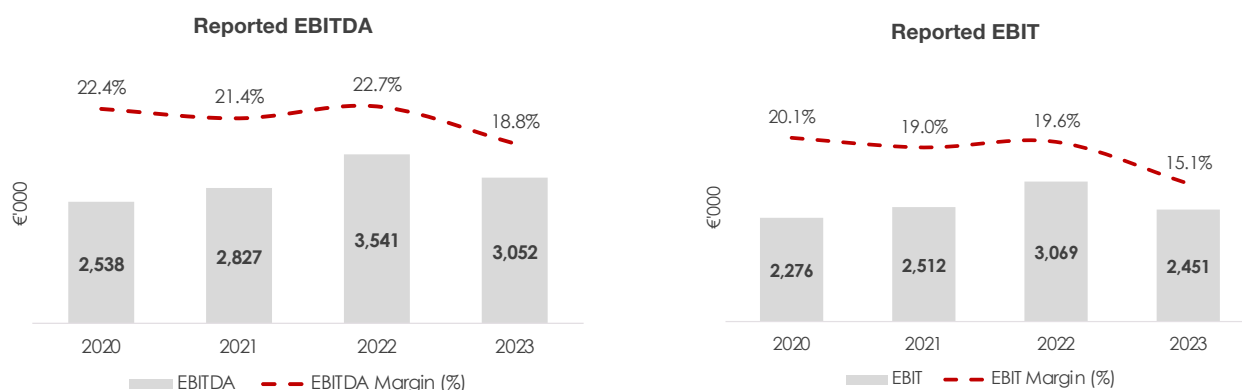
After taking into account ca. €427k extraordinary costs, (€127k related to stock market listing and €300k to external professionals on extraordinary job orders), Reported EBITDA stands at ca. €3.1mn, down -13.8% y/y, (EBITDA Margin 18.8% of VoP in FY23, down from 22.7% of FY22).

As far as the costs structure is concerned, we note the increase in structural costs, labour costs and external services ones. Indeed, in FY23:

- ◆ Costs of Services (including the cost of freelance personnel) stood at €9.9mn up 11.6% y/y, due to a volume's orders increase;
- ◆ Labour Costs stood at €3.0mn, +14.8% y/y (vs. €2.6mn in FY22), due to the high-technical workforce implemented over the year;
- ◆ Other Costs (including cost of rent) stood at €262k (~90% cost of rent), vs. €550k in FY22;
- ◆ Raw Materials costs stood at €83k (+15.5% y/y, stable at 0.5% of VoP).

Reported EBIT as well decreased more than proportionally with respect to the top line, -20.1% y/y to €2.5mn (EBIT margin 15.1%, down by ca. -450bps y/y), as D&A charges accounted ca. €600k (ca. 4% on VoP) in FY23, i.e., capitalization of the costs of employees engaged in R&D activities and RoU on rental cars.

La SIA: Operating Profitability Evolution from FY20 (*) to FY23



Source: La SIA, Value Track Analysis (*) FY20 IT GAAP

La SIA FY22-FY23: From VoP down to EBIT

(€mn, IAS)	FY22	FY23	y/y
Value of Production	15.6	16.3	4.1%
Raw Materials Costs	-0.1	-0.1	15.5%
Cost of Services	-8.9	-9.9	11.6%
Labour Costs	-2.6	-3.0	14.8%
Cost of Rent	-0.3	-0.2	-29.6%
Other Costs	-0.2	0.0	-86.1%
EBITDA	3.5	3.1	-13.8%
<i>EBITDA Margin (%)</i>	22.7%	18.8%	-390bps
D&A	-0.5	-0.6	27.3%
EBIT	3.1	2.5	-20.1%
<i>EBIT Margin</i>	19.6%	15.1%	-458bps

Source: La SIA, Value Track Analysis

Thanks to negligible financial charges and to a low ~15% tax rate (due to *Patent Box* relief generating tax savings of ~50%), FY23 Net Profit stood at ca. €2.0mn, vs. €2.1mn in FY22.

La SIA FY22-FY23: From EBIT to Net Profit

(€mn, IAS)	FY22	FY23	y/y
EBIT	3.1	2.5	-20.1%
Interest expenses	0.0	-0.1	<i>nm</i>
Non-operating income	0.0	0.0	<i>nm</i>
Taxes	-0.9	-0.4	-60.2%
Net Profit	2.1	2.0	-7.2%
<i>Net Margin (%)</i>	<i>13.7%</i>	<i>12.2%</i>	<i>-149bps</i>

Source: La SIA, Value Track Analysis

Balance Sheet / Cash Flow Analysis

As for the Cash Flow generation FY22 and FY23 is concerned, we calculate OpFCF before taxes at €1.8mn in FY23 (59.3% of EBITDA vs. 23.5% in FY22), driven by:

- ◆ Capex at €362k and €789k respectively, mainly related to IFRS Rights of Usage;
- ◆ Working Capital absorption at €0.5mn in FY23 (€2.1mn in FY22);
- ◆ €679k and €630k cash out for dividends respectively in FY22-FY23.

Please note that La SIA raised ca. €5.3mn following IPO, thus free cash flow generation would have been €814k and €1.4mn if considering net of dividends.

La SIA FY22-FY23: Cash Flow Statement

(€mn, IAS)	FY22	FY23
EBITDA	3.5	3.1
Δ Net Working Capital	-2.1	-0.5
Capex (ecl. Fin. Inv.)	-0.4	-0.8
Δ Provisions	-0.2	0.1
OpFCF b.t.	0.8	1.8
Cash Taxes	-0.9	-0.4
OpFCF a.t.	-0.1	1.5
Net Financial Charges / Financial Investments	0.0	-0.1
Dividends paid	-0.7	-0.6
Capital Injections (i.e., IPO proceeds)	0.0	5.3
Others	0.0	0.1
Change in Net Financial Position	-0.8	6.0

Source: La SIA, Value Track Analysis

As a result of Free Cash Flow generation, **Net Cash 2023 year-end** stood at **€4.9mn.**

As far as FY23 Balance Sheet structure is concerned, we note:

- ◆ **Net Fixed Assets** stood at ca. €1.2mn, or **7.7% on VoP**, quite stable vs. FY22 at €1.1mn, but increased y/y as a result of the inclusion among the RoU of Company cars to date held through a rental agreement with Rent4Service Srl;
- ◆ **Net Working Capital** stood at roughly €5.8mn, **35.7% on VoP**, up vs FY22 due to:
 1. ~60dd Days of Inventories, up vs. 34.2dd in FY22 due to the multi-years' Work In Progress activities;
 2. €5.2mn Trade Receivables, (ca. -20dd vs. FY22);
 3. €2.3mn Trade Payables (ca. 60dd), increased y/y in absolute value.

Worthy to note, La SIA hold cash on hands for €6.6mn, to be likely devoted to potential M&A deals.

La SIA FY22-FY23: Net Working Capital Structure

(€mn, IAS)	FY22	FY23
Inventories (WIP)	1.5	2.7
Days of Inventory on Hand (x)	34.2	59.5
Trade Receivables	5.8	5.2
Days of Trade Receivables (x)	136.4	116.1
Trade Payables	1.4	2.3
Days of Trade Payables (x)	41.6	60.0
Other Payables / Receivables	0.6	-0.3
Net Working Capital	5.3	5.8
as % of VoP	33.8%	35.7%

Source: La SIA, Value Track Analysis

La SIA FY22-FY23: Balance Sheet Structure

(€mn, IAS)	FY22	FY23
Working Capital	5.3	5.8
Net Fixed Assets	1.1	1.2
Provisions	0.3	0.4
Total Capital Employed	6.1	6.7
Group Net Equity	4.9	11.6
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-1.2	4.9

Source: La SIA, Value Track Analysis

La SIA FY23: Structure of Net Fin. Position

(€mn, IAS)	FY23
Cash and deposits (+)	6.6
Debt to Banks within 12 months (-)	-1.0
Current Net Financial Position	5.6
Debt to Banks over 12 months (-)	-0.7
Non-Current Financial Position	-0.7
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	4.9

Source: La SIA, Value Track Analysis

Fine-tuning of 2024E-onward estimates

We expect Revenues from Sales to grow at a 11.4% CAGR 2023A-26E, up to ca. €20.5mn in 2026E with EBITDA margin as a % of VoP in the 19%-20.5% range. Cash generation should remain satisfactory in the three-year period, with average OpFCFb.t. / EBITDA above 60% level with the next three years foreseeing the distribution of at least 75% of net profits.

We're fine tuning our 2024E-26E estimates as follows:

- ◆ Top Line revised marginally down (by some 1%-4%) due to the different mix of end markets (more “slow moving” civil works, less Telecommunication ones);
- ◆ Operating and Net Profitability revised down by ca. 10% per annum as stable contract margin should be partially eroded by higher SG&A costs aimed at further managerialization;
- ◆ Net Cash Position revised a bit worse as a consequence of the slower generation of profits.

As a result, our new **2024E-26E estimates** are as follows:

- ◆ **Revenues from Sales** expected to grow at ~**11.4% CAGR_{23A-26E}**, up to ca. €20.5mn in 2026E, driven by a heightened involvement in the Civil & Design service line's mix and steady growth in the Energy one;
- ◆ Average 2024E-26E **EBITDA margin** at ca. **19.7%** of VoP;
- ◆ **EBIT** to grow at ca. **15.9% CAGR_{23A-26E}**, as a consequence of low capex needs / D&A charges;
- ◆ Average **OpFCF b.t. / EBITDA** at **61.0%** despite NWC absorption linked to Trade Receivables;
- ◆ **Net Cash Position at ca. €4.5mn as of 2026E**, quiet stable vs. FY23A since almost offset by the dividend policy that foresees the distribution of at least 75% of Net Profits. Overall, we estimate some €4.9mn dividend cash out in the next 36 months (20% of current market cap).

La SIA: New vs. Old estimates

(€ mn)	2024E			2025E			2026E		
	Old	New	Change	Old	New	Change	Old	New	Change
Total Revenues	18.0	17.8	-1.3%	20.2	19.5	-3.9%	-	20.8	-
OpEx (excl. Labour)	-11.5	-11.2	-2.9%	-12.9	-12.2	-5.4%	-	-13.0	-
Labour cost	-2.6	-3.2	20.8%	-3.0	-3.3	12.4%	-	-3.5	-
EBITDA	3.8	3.4	-12.0%	4.3	3.9	-10.7%	-	4.2	-
<i>EBITDA margin</i>	<i>21.3%</i>	<i>19.0%</i>	<i>-230bps</i>	<i>21.4%</i>	<i>19.9%</i>	<i>-150bps</i>	-	<i>20.3%</i>	-
EBIT	3.1	2.8	-11.5%	3.5	3.2	-10.2%	-	3.8	-
<i>EBIT margin</i>	<i>17.4%</i>	<i>15.6%</i>	<i>-179bps</i>	<i>17.4%</i>	<i>16.3%</i>	<i>-115bps</i>	-	<i>18.4%</i>	-
Pre-tax profit	3.2	2.8	-12.5%	3.6	3.2	-11.4%	-	3.9	-
Tax	-0.9	0.3	-132.3%	-1.0	-0.8	-20.9%	-	-1.0	-
Adj. Net Profit	2.3	2.1	-8.9%	2.6	2.4	-7.7%	-	2.9	-
Net profit	2.3	2.1	-8.9%	2.6	2.4	-7.7%	-	2.9	-
Net Cash Position	5.0	3.5	-1.4	5.2	4.3	-0.9	-	4.5	-
OpFCF a.t.	2.1	2.5	23.9%	2.1	2.4	15.7%	-	2.0	-

Source: Value Track Analysis

Profit & Loss

We're forecasting La SIA's 2024E-26E **Top Line** based on the following assumptions:

- ◆ A shift in the revenue mix towards a greater emphasis on the Civil & Design's service line, and thus a significant growth in work in progress (WIP) as the Company is progressively bidding larger projects with longer execution time (ca. 2/3 steps of billing);
- ◆ Partnerships with innovative companies operating in renewable energy (so as to boost the revenue contribution of the Energy's service line), linear infrastructure and hospitals sector;
- ◆ Focus on innovation both through internal resources and by participating in European and National funding opportunities;
- ◆ Other revenues – specifically those tax credit from the listing – to weigh €500k in FY24E.

As far as operating profitability is concerned, we expect La SIA to slightly improve its **EBITDA margin** at ca. **20.3% in 2026E**, driven by investments in personnel to strengthen the corporate structure and enhance specific skills within the markets currently served, as well as those La SIA is considering for future expansion.

As far as the **EBIT** is concerned, we forecast it to grow at **15.9% CAGR_{23A-26E}** with EBIT margin expected to increase up to 18.4% by 2026E.

Net Profit is expected to grow at **~13.3% CAGR_{22A-25E}** and a **~13.9% Net Margin**.

La SIA: 2023A – 2026E P&L

(€mn)	2023A	2024E	2025E	2026E
<i>Revenues from Sales</i>	14.8	17.0	19.2	20.5
<i>Other Revenues</i>	0.3	0.5	0.0	0.0
<i>Δ Inventory (Finished Goods)</i>	1.2	0.3	0.2	0.2
<i>Δ Fixed Assets</i>	0.0	0.0	0.1	0.1
Value of Production	16.3	17.8	19.5	20.8
Costs of Services	-9.9	-10.8	-11.7	-12.5
Labour Costs	-3.0	-3.2	-3.3	-3.5
Other Costs	-0.3	-0.4	-0.5	-0.5
EBITDA	3.1	3.4	3.9	4.2
EBITDA Margin (%)	18.8%	19.0%	19.9%	20.3%
Depreciation & Amortization	-0.6	-0.6	-0.7	-0.4
EBIT	2.5	2.8	3.2	3.8
EBIT Margin (%)	15.1%	15.6%	16.3%	18.4%
Net Fin. Charges	-0.1	0.0	0.0	0.0
Non-Operating Items	0.0	0.0	0.0	0.0
Pre-tax Profit	2.3	2.8	3.2	3.9
Tax	-0.4	-0.7	-0.8	-1.0
Net Profit	2.0	2.1	2.4	2.9
Net Profit Margin (%)	12.2%	11.9%	12.4%	13.9%

Source: La SIA, Value Track Analysis

Balance Sheet & Cash Flow

As seen, La SIA business model denotes the following features: **medium-high NWC** requirements but **light net fixed assets**, hence leading to **good cash generation and healthy return on asset ratios**. In more details on the capital employed structure, we await:

- ◆ NWC / VoP to slightly increase to ca. 47% in FY26E, driven by higher WIP (due to longer-lasting and sizable contracts linked to Civil & Design projects), and despite the stability y/y of both DSO and DPO (at 135 and 50 days, respectively), however with Trade Receivables strongly rising from €5.2mn in FY23A to €7.7mn in FY26E;
- ◆ Net Fixed Asset decreasing y/y to €0.9mn in FY26E (from €1.2mn in FY23A), as an effect of the very limited investments level, with €1.0mn cumulated Capex over the next three years (including other costs capitalization or software purchases).

Based on such assumptions, we forecast La SIA to witness a **ROCE a.t.** at **~30% in FY26E**.

To note that the Company has decided, with the IPO, to implement for the next three years a **dividend policy** that foresees the distribution of at least **75% of Net Profits**. As a result, in the 2024E-26E period we expect that almost all Free Cash Flow before dividends will be abated by dividends outflow (we estimate some €4.9mn cumulated dividends distribution in the next 36 months, 20% of current market cap).

However, we remind that our **2024E-26E forecasts** are based on the following key assumptions:

- ◆ **No M&A deals**;
- ◆ **No opening** of any large branch abroad;
- ◆ **No major investments in additional technologies**, as current capex assumptions are consistent with our forecasts in terms of orders intake, but management may decide to invest further in order to accelerate and capture additional market opportunities.

Despite that, La SIA may intend to implement strategic evaluations of M&A deals to accelerate growth in new markets among the Energy service line.

La SIA: 2023A – 2026E Balance Sheet

(€mn)	2023A	2024E	2025E	2026E
Net Fixed Assets	1.2	1.0	0.7	0.9
Net Working Capital	5.8	8.4	8.8	9.6
o/w				
Inventory (WIP)	2.7	2.9	3.1	3.3
DIO (gg)	59.5	60.2	58.2	58.0
Trade Receivables	5.2	6.6	7.2	7.7
DSO (gg)	116.1	135.0	135.0	135.0
Trade Payables	2.3	2.0	2.2	2.3
DPO (gg)	60.0	50.0	50.0	50.0
Other current assets / liabilities	-0.3	0.9	0.7	1.0
Severance Pay and Other Funds	0.4	0.8	0.9	0.9
Total Capital Employed	6.7	8.7	8.7	9.7
Group Net Equity	11.6	12.2	13.0	14.1
Net Cash Position	4.9	3.5	4.3	4.5

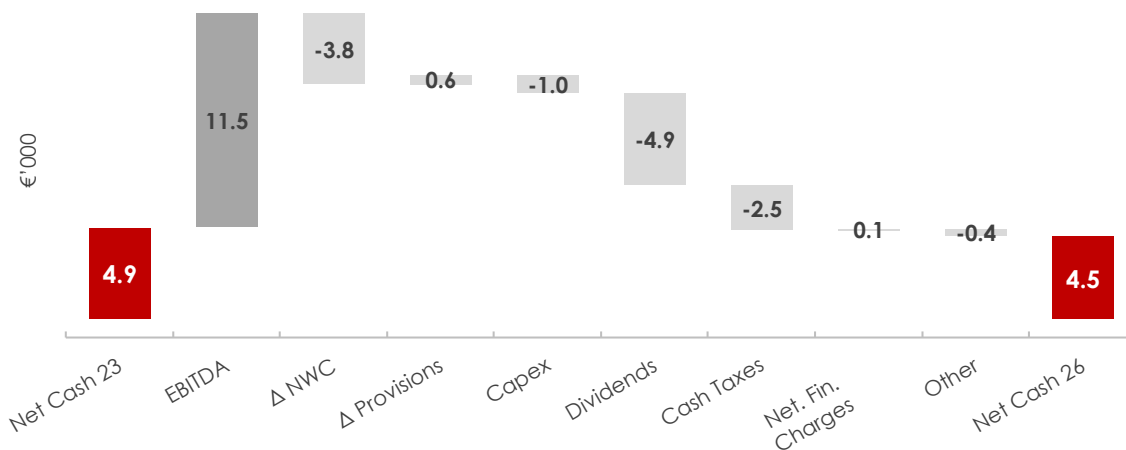
Source: La SIA, Value Track Analysis

La SIA: 2023A – 2026E Cash Flow Statement

(€mn)	2023A	2024E	2025E	2026E
EBITDA	3.1	3.4	3.9	4.2
Δ NWC	-0.5	-2.6	-0.4	-0.8
Capex (inc. RoU)	-0.8	-0.2	-0.3	-0.5
Δ Provisions	0.1	0.4	0.1	0.1
OpFCF b.t.	1.8	1.0	3.2	3.0
<i>As a % of EBITDA</i>	<i>59.3%</i>	<i>29.4%</i>	<i>83.4%</i>	<i>70.3%</i>
Cash Taxes	-0.4	-0.7	-0.8	-1.0
OpFCF a.t.	1.5	0.3	2.4	2.0
Capital Injections	5.3	0.0	0.0	0.0
Others (incl. Financial Inv.)	0.1	-0.2	-0.1	-0.1
Net Financial charges	-0.1	0.0	0.0	0.0
Dividends paid	-0.6	-1.5	-1.6	-1.8
Change in Net Fin. Position	6.1	-1.4	0.8	0.1
Net Fin. Pos. [Net Debt (-) Cash (+)]	4.9	3.5	4.3	4.5

Source: La SIA, Value Track Analysis

La SIA: 2023A – 2026E Aggregated Cash Flow Statement



Source: La SIA, Value Track Analysis

Valuation

We set La SIA's fair equity value at ca. €5.2 p/s (from €5.6) based on Peers Analysis. DCF Model settles room for future valuation increase if the future growth path is properly achieved.

We update La SIA's **fair Equity Value at ca. €5.2 p/s**, (from €5.60), attained with Peers Analysis on 2024E multiples. DCF based fair value (ca. €6.67 p/s – €7.20 p/s) is a useful crosscheck, aimed at capturing La SIA's valuation potential in the medium term. At fair value La SIA would trade at 7.7x – 6.5x EV/EBITDA 2024E-25E respectively and 5.4% Div. Yield 2024E.

Peers' Analysis

Peers Stock trading multiples

Re-rating of Peers partially offset the downward revision of La SIA estimates. We note that European D&E stocks trade at more than 30% discount vs. North American ones and selected Italian B2B stocks trade at ca. 10% discount vs. European D&E ones.

LA SIA Group: Peers' Market Multiples

Peers by Cluster	EV / EBITDA (x)		EV / EBIT (x)		P/E	
	2024E	2025E	2024E	2025E	2024E	2025E
AECOM	13.2	11.7	14.7	13.1	25.0	19.1
DYCOM	9.4	8.6	14.8	14.0	18.5	18.6
WSP GLOBAL	13.7	12.3	21.6	17.8	24.8	19.2
Stantec	14.2	12.5	21.3	17.6	28.6	24.0
Jacobs Solutions	12.7	11.4	13.1	11.6	24.4	17.9
Bowman Consulting	7.3	6.3	nm	19.0	nm	35.3
Peers' Group North America - Average	11.7	10.5	17.1	15.5	24.3	22.4
Peers' Group North America - Median	12.9	11.6	14.8	15.8	24.8	19.2
Arcadis	10.9	9.4	13.7	11.8	21.4	17.3
Alten SA	8.1	7.0	9.8	8.6	15.4	13.8
Sweco	10.8	10.3	12.0	11.4	18.1	16.6
DBA Group	3.1	2.6	4.8	3.9	5.0	4.6
Assystem	13.0	12.3	19.5	17.5	16.7	15.1
Rejlers	6.7	6.1	12.3	10.4	14.8	13.0
Afry	8.3	7.3	12.2	10.3	14.4	11.8
Multiconsult	6.0	5.8	9.0	8.7	12.9	11.7
Peers' Group Europe - Average	8.4	7.6	11.7	10.3	14.8	13.0
Peers' Group Europe - Median	8.2	7.1	12.1	10.3	15.1	13.4
Franchetti	11.7	6.9	15.0	8.1	20.5	10.8
Circle	6.1	4.4	8.5	5.9	12.3	9.5
TPS	3.6	2.9	4.5	3.8	10.6	9.8
Peers' Group Italy - Average	7.1	4.8	9.3	5.9	14.5	10.0
Peers' Group Italy - Median	6.1	4.4	8.5	5.9	12.3	9.8

Source: Market Consensus, Value Track Analysis

La SIA fair valuation based on Peers

We deem fair to take into account the whole sample previously described, in order to set the fair multiples to apply to La SIA. Peers' median 2024E EV/EBITDA multiples stand at 9.4x, 12.7x and 17.4x, respectively. These leads – after applying a 25% discount (mainly due to Italy + Small Size effect) on the total median – to **€5.20 fair value per share for La SIA**.

LA SIA Group: Stock Market Multiples at current market price and at fair value

Peers by Cluster	EV / EBITDA (x)		EV / EBIT (x)		P/E	
	2024E	2025E	2024E	2025E	2024E	2025E
Peers' Group - Median	9.4	7.3	12.7	11.4	17.4	15.1
La SIA @ current €4.28 market price	6.1	5.1	7.5	6.3	11.5	10.1
La SIA @ €5.20 fair value	7.7	6.5	9.3	7.9	14.0	12.3

Source: Market Consensus, Value Track Analysis

Cross-Check: Discounted Cash Flow Model

We cross check the Peers' based fair value per share with DCF model, as this methodology should capture medium and medium-term valuation potential of the Company if its growth path is properly achieved. As far as the DCF parameters are concerned, we apply a **9.8% rolling WACC** (or 9.2% if we consider a “target” D/(D+E) ratio), based on the following assumptions:

- ◆ 2.0% Risk-free rate in line with long-term inflation target set by the ECB;
- ◆ 5.62% Equity Risk Premium (ERP) for the Italian market (Source: Prof. Damodaran's website <http://pages.stern.nyu.edu/~adamodar/> for more details);
- ◆ 0.77 Unlevered Beta, aligned to European Engineering / Construction Beta;
- ◆ Rolling Debt / (Debt + Equity) ratio in the rolling WACC calculation and stable target 20% Debt / (Debt + Equity) ratio in the fixed WACC calculation;
- ◆ 3.5% Company Specific Risk Premium, based on the Expanded CAPM approach that we consider particularly appropriate when dealing with small size companies with medium-high revenue concentration on a few clients;
- ◆ 2.5% Credit Spread;
- ◆ Resulting K_e and K_a equal to 9.8% (10.6% at target capital structure) and 4.5%, respectively.

Terminal Value is based on a 2.0% perpetual growth rate “g”.

The result is **€6.67 DCF based fair value per share** (€7.20 at target capital structure).

LA SIA: DCF Model outcomes with Rolling and Target Capital Structure

€mn	Rolling D/D+E	Target 20% D/D+E
PV of future cash flows FY24E-FY30E	10.4	10.6
PV of Terminal Value (g=2%)	22.4	25.2
Fair Enterprise Value	32.9	35.9
Net Cash Position FY23A	4.9	4.9
Minorities and Other Liabilities / Assets	0.0	0.0
Fair Equity Value	37.8	39.9
Fair Equity Value per share (€)	6.67	7.20

Source: Value Track Analysis

Appendix 1: La SIA Business Profile

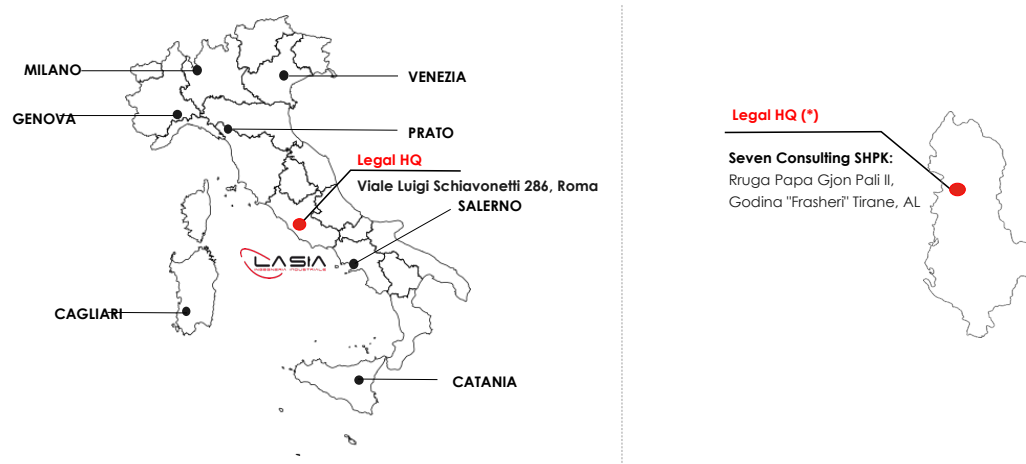
Extensive array of Design & Engineering services

La SIA provides an extensive array of engineering and design services tailored to meet the needs of its clients, mainly large corporates or state-owned entities. These services encompass the entire project lifecycle, starting from the initial feasibility studies and progressing through the development of conceptual designs to the creation of detailed plans and the ultimate execution of final designs.

Key features of the company worthy to mention are:

- ◆ Strong focus on the utilization of cutting-edge technologies and methodologies such as scan-to-BIM (Building Information Modeling) and digital twin, as well as leveraging specialized knowledge;
- ◆ Forward looking approach, based on the participation to national and European funded R&D projects, often in collaboration with universities;
- ◆ Ownership of internationally recognized ISO certifications and of several technical references, known as “certified categories”, which allow higher technical ranking when participating in public tenders;
- ◆ Nationwide Italian presence, with eight local offices across the whole territory, aimed at fostering a close relationship with customers.

La SIA: Geographical footprint



Source: La SIA (*) Acquired back in July 2023.

Examples of services currently provided by La SIA are:

- ◆ **Design & Engineering:** by leveraging innovative methodologies, such as BIM, to enhance the efficiency and coordination of the design process.
Indeed, the Company employs digitization strategies to streamline workflows and ensure precise execution of projects in order to deliver high-quality design solutions that align with clients' vision and requirements;
- ◆ **Technical consulting:** this includes performing due diligence to ensure informed decision-making, conducting inspections to assess project integrity and compliance, and offering specialized software solutions tailored to clients' specific needs.

The Company also conducts design audits to ensure quality and adherence to standards, while providing expertise in structural engineering, MEP engineering (Mechanical, Electrical, and Plumbing), and firefighting.

La SIA utilizes advanced technologies such as laser scanning and aerial photogrammetry with drones to gather accurate data for efficient surveying and mapping;

- ◆ **Design technologies:** by means of augmented and virtual reality to create immersive experiences, it leverages business intelligence tools to extract valuable insights, and digital implementation strategies to optimize workflows.

In addition, the Company offers photo & video rendering services to provide compelling visual representations of projects, as well as develops web applications for seamless access and collaboration. The integration of information technologies further supports streamlined operations and the creation of immersive visualization models to boost project understanding;

- ◆ **Management and planning:** related to design management, project management, security management, and procurement management.

The Company ensures smooth coordination and execution of design activities, overseeing the entire project lifecycle.

With expertise in predictive maintenance, La SIA helps optimize asset performance and longevity. Furthermore, data analysis is conducted to extract valuable insights and optimize processes, while construction management services ensure seamless project execution.

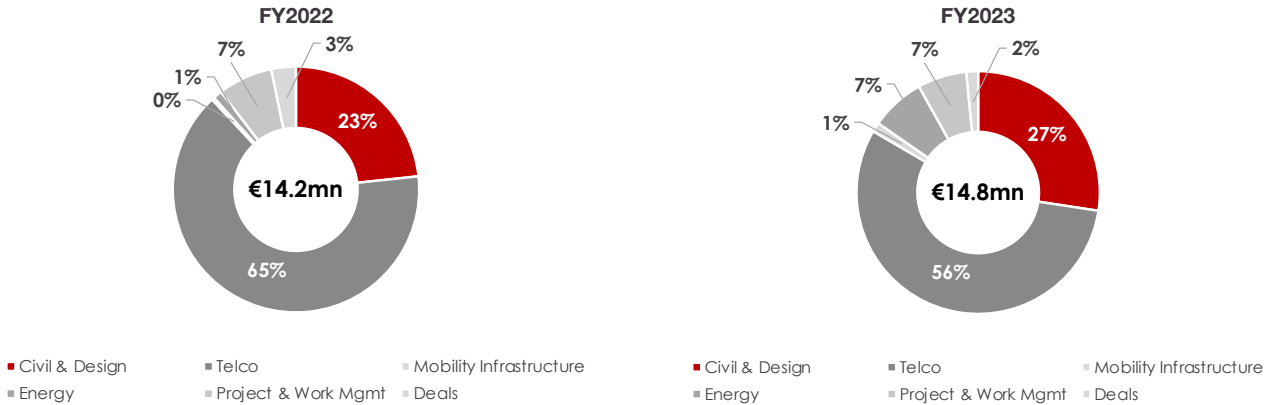
Several end markets addressed

Via its two service lines (namely Engineering and Advisory), La SIA addresses clients acting in several end markets out of which the three most important ones (based on Revenues from Sales) are:

1. **Telecommunications**, (56.0% in FY23, 64.8% in FY22), providing services such as planning, acquisition of public authorizations, project and safety management on construction sites for telco infrastructure, both Mobile (radio base stations) and Fixed (fiber optic networks);
2. **Civil & Design**, (27.4% in FY23, 23.3% in FY22), providing services such as architectural, structural and plant design for office buildings, hospitals, data centers and shopping centers;
3. **Project & Works Management**, (6.5% in FY23, 7.2% in FY22), providing services such as management of the roll out for interventions of new constructions or maintenance of buildings and technological infrastructures through the coordination of the companies involved in the design and implementation process, optimizing times, costs and maximizing quality;
4. **Other end markets.** This group includes:
 - i. **Deals**, (1.6% in FY23 vs 3.2% in FY22), providing services such as the renegotiation of the lease agreements for its customers, helping them extend rental periods and reduce asset management costs;
 - ii. **Energy**, (7.2% in FY23 vs 1.2% in FY22), providing services such as activities ensuring compliance in constructing renewable energy and energy efficiency projects for grant providers;
 - iii. **Mobility Infrastructure**, (1.2% in FY23 vs 0.4% in FY22), providing services such as the design of new infrastructure projects and analyses of existing works of art in road and railway constructions;
 - iv. **Academy**, (no Revenues), aimed at equipping those individuals responsible for the authorization and maintenance of corporate real estate assets with project management know-how and industry regulation fundamentals.

To mention that all activities related to Energy, Mobility Infrastructure and to the Academy are currently in a start-up phase and will be further developed in the recent future.

La SIA FY22-FY23: Revenues from Sales by Service Lines

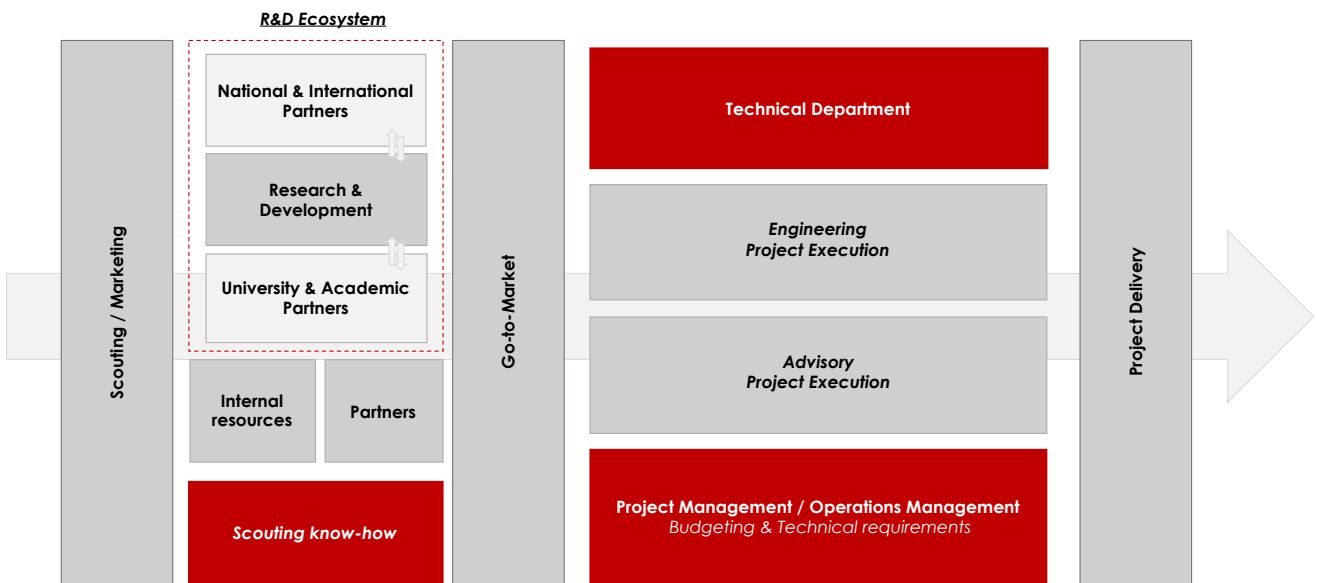


Source: La SIA, Value Track Analysis

Three-stage Business Model

The Company aligns its complete business strategy and operations with an unwavering commitment to R&D. By leveraging innovative and state-of-the-art approaches, La SIA drives growth, advances technology, and sustains a competitive advantage relative to its industry peers.

La SIA: Business Model



Source: La SIA

As far as job orders acquisition and execution is concerned, La SIA’s business model can be clustered in three stages:

1. Scouting & Marketing of new orders opportunities;
2. Orders acquisition (Go-to-Market);
3. Orders execution / delivery.

1. Scouting & Marketing

La SIA's clients, considering the nature of the services provided and the reference markets, are usually large private or public entities assigning projects mainly by tender. More in details:

- ◆ As for public sector, the Company carefully selects tenders that offer potential profitability in line with company's targets and participates on a stand-alone basis or through temporary alliances with other firms possessing diverse competencies and certifications;
- ◆ In the private sector, the tenders require the registration in the so-called "register of suppliers" in order to compete for order assignment.

2. Orders acquisition (Go-to-Market)

Within the Company's organizational structure, there is a dedicated team of five professionals in the BID Management department who handle all aspects related to tender participation, encompassing both technical and legal aspects.

As evidenced previously, La SIA serves both public and private sectors, with the public sector contributing around 88.35% of the Company's turnover in 2023, while the private sector accounts for the remaining 11.65%.

- ◆ **Public Sector:** the acquisition of new orders in the public sector is achieved over participation in public tenders, in accordance with the prevailing Procurement Code (d.lgs 50/2016).

The BID Manager team leads the tender participation, with support from the Technical Department when necessary;

- ◆ **Private Sector:** The acquisition of new orders in the private sector occurs as well with participation in tenders, or via direct bilateral negotiations.

As far as those orders subject to tender, the BID Manager team, with support from the Technical Department, when necessary, leads the submission of offers.

In the remaining cases, La SIA runs direct negotiation, either independently or in partnership with 3rd parties.

3. Orders execution / delivery

Once the order is acquired, it comes the time of project implementation for both the engineering and advisory service lines. Each project is overseen by two specific departments, namely:

- ◆ The Technical Department assumes a "horizontal" role by supervising and managing each project to ensure the efficient and optimal execution of all activities and services provided;
- ◆ The Project Management/Operations Management Department operates in a "vertical" manner, focusing on the direct client and a specific geographical area. Its primary responsibility is to ensure that the project adheres to the allocated budget specified during the Bid stage (Go-to-Market).

These dedicated departments work in tandem to facilitate successful project implementation, combining technical expertise with effective project management practices to deliver high-quality results within established parameters.

Appendix 2: Peers' Analysis

There are several Design & Engineering companies listed both in North American and in the European stock markets, varying in terms of size and number of services provided to clients.

As far as the Italian EGM stock market is concerned, **DBA** is for sure the company that shares with La SIA the highest number of traditional D&E services provided to clients. DBA also offers other services such as Architectural ones and various IT services.

Among Italian EGM listed companies we are also taking into account **Franchetti**, **TPS** and **Circle**, all specialized in providing B2B advisory and technical professional services relying more on human skills / know how rather than on tangible assets exploitation.

Note that Renergetica, included in the prior research conducted in October 2023, was delisted on February 8, 2024.

La SIA: North American and European Design & Engineering listed companies

Company	Market	Traditional D&E Services (*)	Architecture	Construction or Operation (**)	IT Services
North American D&E companies					
Aecom	US	√	-	-	-
Dycom	US	√	-	√	-
Stantec	US	√	√	-	-
Jacobs Solutions	US	√	-	√	√
Bowman Consulting	US	√	-	-	-
WSP	CA	√	-	-	-
European D&E companies					
Arcadis	NED	√	-	-	-
Alten	FR	√	-	-	√
SWECO	SE	√	√	-	-
DBA Group	IT	√	√	-	√
Assystem	FR	√	-	-	-
Rejlers	SE	√	-	-	√
Afry	SE	√	-	-	√
Multiconsult	NO	√	√	-	-
Italian EGM companies (B2B, focused on not capital-intensive advisory / technical professional services)					
Franchetti	IT	√ (***)	-	-	√
Renergetica	IT	√ (***)	-	√	-
TPS	IT	√ (***)	-	-	√
Circle	IT	√ (***)	-	-	√

Source: Value Track Analysis; (*) Incl. Advisory, Design & Engineering and Project Mgmt; (**) Incl. Maintenance Service

(***) B2B advisory / technical professional services relying more on human skills / know how rather than on assets exploitation

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IL PRESENTE DOCUMENTO NON COSTITUISCE O FORMA PARTE DI, NÈ VA CONSIDERATO IN ALCUN MODO, UN'OFFERTA O UN INVITO PER LA SOTTOSCRIZIONE O L'ACQUISTO DI STRUMENTI FINANZIARI. NÈ IL PRESENTE DOCUMENTO NÈ QUANTO IN ESSO CONTENUTO NON COSTITUISCE INOLTRE UNA PROPOSTA CONTRATTUALE OVVERO UN'ASSUNZIONE DI OBBLIGHI DI QUALSIASI GENERE. IL PRESENTE DOCUMENTO NON È STATO PUBBLICATO MA È SOLAMENTE STATO MESSO A DISPOSIZIONE DI INVESTITORI QUALIFICATI. QUALSIASI DECISIONE DI SOTTOSCRIVERE O ACQUISTARE LE AZIONI NELL'AMBITO DELL'OFFERTA DOVRÀ QUINDI FONDARSI ESCLUSIVAMENTE SULLE INFORMAZIONI CONTENUTE NEI DOCUMENTI DI OFFERTA PRODOTTI IN CONNESSIONE ALL'OFFERTA. IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO NEL REGNO UNITO UNICAMENTE (a) (I) A SOGGETTI RIENTRATI NEL CAMPO DI APPLICAZIONE DELL'ARTICOLO 19 O DELL'ARTICOLO 49 DEL FINANCIAL SERVICES AND MARKET ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (E SOLTANTO NELLA MISURA IN CUI LE CONDIZIONI PREVISTE NEI MENZIONATI ARTICOLI SIANO SODDISFATTE, OVVERO LO SARANNO AL MOMENTO DELLA DISTRIBUZIONE DEL PRESENTE DOCUMENTO) O (II) A QUALSIASI ALTRO SOGGETTO A CUI L PRESENTE DOCUMENTO POSSA ESSERE LEGALMENTE DISTRIBUITO; E (b) INVESTITORI QUALIFICATI AI SENSI DELL'ARTICOLO 2(1)(E) DEL REGOLAMENTO PROSPETTI (REGOLAMENTO(UE) 1129/2017) (UNITAMENTE CONSIDERATI, "SOGGETTI RILEVANTI"). IL PRESENTE DOCUMENTO NON DEVE ESSERE PRESO IN CONSIDERAZIONE NÈ SU DI ESSO PUO' ESSERE FATTO AFFIDAMENTO DA PARTE DI SOGGETTI NON RILEVANTI. QUALSIASI INVESTIMENTO O ATTIVITÀ DI INVESTIMENTO A CUI IL PRESENTE DOCUMENTO SI RIFERISCE VA EFFETTUATA ESCLUSIVAMENTE NEI CONFRONTI DI SOGGETTI RILEVANTI. IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO IN ITALIA SOLTANTO AGLI INVESTITORI QUALIFICATI, AI SENSI DELL'ARTICOLO 2 DEL REGOLAMENTO PROSPETTI. PERTANTO IL PRESENTE DOCUMENTO NON PUÒ IN ALCUN MODO ESSERE DISTRIBUITO: (I) AL PUBBLICO INDISTINTO; (II) ATTRAVERSO CANALI DI DIVULGAZIONE, ATTRAVERSO I QUALI LE INFORMAZIONI SIANO O È PROBABILE CHE SIANO RESE PUBBLICHE, OSSIA CHE DIVENGANO ACCESSIBILI A UN GRAN NUMERO DI PERSONE; (III) A SOGGETTI NON RIENTRANTI NELLA SUDETTA DEFINIZIONE DI INVESTITORI QUALIFICATI. RICEVENDO IL PRESENTE DOCUMENTO, VI IMPEGNA A RISPETTARE LE RESTRIZIONI IVI PREVISTE. IL PRESENTE DOCUMENTO È STATO PREDISPOSTO IN MODO AUTONOMO RISPETTO ALLA SOCIETÀ, AI SUOI AZIONISTI E ALLE SUE CONTROLLATE E LE PREVISIONI E VALUTAZIONI IVI CONTENUTE SONO ESPRESSE ESCLUSIVAMENTE DA VALUE TRACK S.R.L. NELL'AMBITO DELLA SUA NORMALE ATTIVITÀ DI RICERCA E NON SONO STATE AUTORIZZATE O APPROVATE DA TERZI SOGGETTI. VALUE TRACK S.R.L. NON È AUTORIZZATO A FORNIRE INFORMAZIONI O RILASCIARE DICHIARAZIONI O GARANZIE PER CONTO DELLA SOCIETÀ, DEI SUOI AZIONISTI O DELLE SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO. NONOSTANTE OPPORTUNE PRECAUZIONI SIANO STATE PRESE AFFINCHÉ TUTTI I FATTI RAPPRESENTATI NEL DOCUMENTO SIANO CORRETTI E LE PREVISIONI, OPINIONI E VALUTAZIONI IVI CONTENUTE SIANO RAGIONEVOLI, TUTTAVIA VALUE TRACK S.R.L. NON HA EFFETTUATO ALCUNA VERIFICA INDIPENDENTE RISPETTO ALLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO E PERTANTO NÈ VALUE TRACK S.R.L. NÈ LA SOCIETÀ NÈ I SUOI AZIONISTI O E SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO, NÈ I LORO RISPETTIVI AMMINISTRATORI, O IMPIEGATI SARANNO IN ALCUN MODO CONSIDERATI RESPONSABILI DEL CONTENUTO DEL PRESENTE DOCUMENTO E NESSUN AFFIDAMENTO DOVRÀ ESSERE FATTO IN MERITO ALLA PRECISIONE, COMPLETEZZA O CORRETTEZZA DELLE INFORMAZIONI CONTENUTE. NESSUN SOGGETTO POTRÀ PERTANTO ESSERE RITENUTO RESPONSABILE DEI DANNI DERIVANTI DALL'UTILIZZO DEL PRESENTE DOCUMENTO O DAL SUO CONTENUTO OVVERO DEI DANNI COMUNQUE CONNESSI AL PRESENTE DOCUMENTO. VALUE TRACK S.R.L. (O I SUOI DIRIGENTI, AMMINISTRATORI O IMPIEGATI) POTREBBE, NEI LIMITI CONSENTITI DALLA LEGGE, TROVARSI A DETENERE STRUMENTI FINANZIARI DELLA (OVVERO OPZIONI, WARRANT O ALTRI DIRITTI RELATIVI ALLA, OVVERO UN INTERESSE NELLE AZIONI O ALTRI STRUMENTI FINANZIARI DELLA) SOCIETÀ. QUESTO DOCUMENTO È STATO PRODOTTO DA VALUE TRACK S.R.L. PER CONTO DI MIT SIM CHE AGISCE COME SPECIALIST SULLE AZIONI LA SIA.